

Tata Technologies | BUY

Diversification to the rescue

TATATECH's headline revenues (-3.3% vs. JMFe: -2.4%) missed expectations. Underlying construct was not bad though. Core services revenues (flat QoQ) were in-line. Miss was led by sharper than expected decline in Tech Solutions (-14% QoQ vs JMFe: -10), which should recover starting 2Q. TATATECH's 4Q, and FY25, performance underscores the effects of its diversification efforts. In 4Q, weakness in Auto (-3% QoQ) was offset by sustained momentum in Aerospace (+8% QoQ). In fact, Aero revenues have almost doubled in FY25. Within Auto, TAMO's resilience balances challenges facing global OEMs. For FY25, 12% YoY growth ex-Vinfast helped absorb the planned ramp-down in Vinfast. JV with BMW – a USD 500mn TCV opportunity - though not visible on the topline, helps de-risk earnings. These should help TATATECH navigate the uncertain demand environment. It can leverage BMW relationship to make further in-roads in other German OEMs, as they look to offshore more – a prospect looking increasingly probable. 4Q miss, especially Tech Solutions, is flowing into 2-3% cut to our FY26-27E USD revenue estimates. Faster than expected ramp-up in BMW JV however limits changes to FY26E EPS (+2%). Maintain BUY with INR 850 TP.

- **4QFY25 – revenue miss, PAT beat:** TATATECH reported 3.3% cc QoQ decline in revenues, net of 0%/-14% growth in Services/Tech Solutions. Within Services, Auto declined 3% QoQ while non-Auto grew 5%, led by Aerospace (+8%). Within Tech Solutions, product revenues declined 7.7% QoQ while Education revenues dropped 20% QoQ. Seasonal weakness in Product and delay in infrastructure (labs) readiness impacted Education business. EBITDA margin improved 40bps QoQ to 18.2%, ahead of JMFe: 17.5%. Higher offshoring (+100bps), favourable FX and improved pyramid aided margins. Higher other income, aided by some non-recurring income such as R&D expense credit and FX, and 7x jump in profit share from BMW JV (INR 365mn from INR 50mn) helped drive 12% QoQ growth in PAT. PAT came in at INR 1,889mn, 11% ahead of JMFe: INR 1,702mn.
- **Outlook - cautious optimism:** TATATECH indicated continued caution among Auto clients. This has impacted decision making. Its pipeline however remains healthy, and it expects conversion rates to improve as uncertainty lifts, likely towards Q1-end. Outlook in Aerospace however remains strong, as TATATECH expands footprint beyond Airbus to its supply-chain providers. JV-with BMW is progressing ahead of expectations. Headcount is already approaching 1,000 – originally envisaged towards 2025-end. TATATECH believes this could be a pre-cursor to other German OEMs offshoring to India, as they navigate twin challenges of Chinese competition and US Tariffs. Overall, it expects sequential growth to progressively improve through the quarters. In Tech Solutions, the company believes growth to gradually recover (likely Q2) and build momentum through 2H. Margin outlook remains stable.
- **EPS changes -3% to +2%; Retain BUY:** We have lowered FY26E USD revenue estimate by 2%, driven entirely by lower Tech Solutions. Our Services growth estimates are unchanged at 2.8%, given an in-line quarter. Higher profit share from BMW offsets the impact on EPS. We believe peak-pessimism is priced in. BUY with INR 850 TP.

| Financial Summary | | | | | (INR mn) |
|------------------------|--------|--------|--------|--------|----------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 51,173 | 51,685 | 53,680 | 59,282 | 65,911 |
| Sales Growth (%) | 15.9 | 1.0 | 3.9 | 10.4 | 11.2 |
| EBITDA | 9,413 | 9,340 | 9,696 | 10,952 | 12,277 |
| EBITDA Margin (%) | 18.4 | 18.1 | 18.1 | 18.5 | 18.6 |
| Adjusted Net Profit | 6,794 | 6,728 | 7,313 | 8,136 | 9,075 |
| Diluted EPS (INR) | 16.7 | 16.6 | 18.7 | 21.1 | 23.7 |
| Diluted EPS Growth (%) | 8.9 | -1.0 | 12.8 | 12.6 | 12.6 |
| ROIC (%) | 28.5 | 23.9 | 22.6 | 23.5 | 29.0 |
| ROE (%) | 21.9 | 19.8 | 19.8 | 20.5 | 21.1 |
| P/E (x) | 41.4 | 41.8 | 37.0 | 32.9 | 29.2 |
| P/B (x) | 8.7 | 7.9 | 7.4 | 6.8 | 6.3 |
| EV/EBITDA (x) | 28.9 | 29.2 | 28.1 | 24.8 | 21.2 |
| Dividend Yield (%) | 1.5 | 1.7 | 1.8 | 2.0 | 2.1 |

Source: Company data, JM Financial. Note: Valuations as of 25/Apr/2025



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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 850 |
| Upside/(Downside) | 22.6% |
| Previous Price Target | 870 |
| Change | -2.3% |

Key Data – TATATECH IN

| | |
|--------------------------|---------------------|
| Current Market Price | INR693 |
| Market cap (bn) | INR281.2/US\$3.3 |
| Free Float | 44% |
| Shares in issue (mn) | 405.7 |
| Diluted share (mn) | 405.7 |
| 3-mon avg daily val (mn) | INR1,099.1/US\$12.9 |
| 52-week range | 1,136/595 |
| Sensex/Nifty | 79,213/24,039 |
| INR/US\$ | 85.4 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|-------|-------|
| Absolute | -1.0 | -31.5 | -35.3 |
| Relative* | -3.2 | -30.8 | -39.7 |

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key Highlights from the call

- **Demand:** Tata Technologies demonstrated stable demand trends in Q4 despite continued macroeconomic uncertainty and geopolitical headwinds. The company mentioned that in the automotive segment, decision-making delays persisted due to tariff-related developments and regulatory challenges across the US and Europe. However, the Aerospace and Industrial Heavy Machinery verticals maintained strong growth momentum, with the Aerospace segment delivering 8% sequential revenue growth in Q4 and nearly doubling its revenues for FY25. Management expects that policy clarity over the coming months will drive diversification of OEM investments in the automotive sector, while demand in Aerospace and Industrial Heavy Machinery is anticipated to remain robust, supported by a healthy order pipeline.
- **BMW JV:** Management reported that the BMW joint venture, launched in November, scaled faster than expected during Q4, approaching the milestone of four-digit headcount ahead of the original CY-end projection. The company reported a share of profit of INR 36mn from the JV during the quarter, accounting for a 4.6% contribution to pre-tax profits. In addition, deferred income of INR 83mn was recognized as part of other income, reflecting fair value gains from the JV-related options. Management reiterated confidence in the strategic importance of the partnership and emphasized BMW's long-term investment commitment, noting that the JV's performance would continue to positively impact Tata Technologies' earnings trajectory into FY26.
- **Outlook:** The Company remains cautiously optimistic on the demand environment, expecting gradual improvement from Q2 onwards as clarity emerges around global trade policies and tariff-related uncertainties. Management emphasized that medium to long-term trends remain favorable, driven by client investments in product development, manufacturing capacity, and digital transformation. They reiterated confidence in the strength of their client relationships and underlined that strategic positioning across key manufacturing sectors and geographies continues to offer resilience against near-term market volatility.
- **Margins:** The company reported EBITDA margin of 18.2% in Q4, improving 40 bps sequentially. Leadership reported that margin expansion was driven by operational discipline including an improved offshore mix, a reduction in the number of contractual employees, currency benefits, and better employee pyramid management. Management highlighted that the BMW JV contribution and strong focus on cost optimization initiatives supported overall margin preservation. The Company remains committed to balancing growth investments and profitability, aiming to sustain margin levels above 18% while selectively pursuing expansion opportunities.
- **Offerings:** Services revenue grew 1.1% sequentially in INR terms during Q4, reflecting resilience in a challenging environment. Management highlighted that the Services business accounted for 80% of the total revenue and remained stable in cc terms. They reported that the Technology Solutions segment witnessed a sequential decline of 14%, primarily due to lower discretionary spend in the Products business and delays in infrastructure readiness impacting the Education business. Management expects the Education segment to recover gradually as facility readiness improves.
- **Automotive segment:** The company reported that auto business faced a cautious demand environment in Q4, impacted by continued regulatory uncertainties in the US, tariff-related developments, and competition-led pressures in Europe. They highlighted that decision-making delays persisted, leading to a temporary slowdown in new project signings. However, management remains optimistic about medium to long-term prospects, driven by client investments in electrification, hybrid technologies, and software-defined vehicles.
- **Aerospace and Industrial Heavy Machinery segment:** Management highlighted that these segments continued to deliver robust growth momentum in Q4. The Aerospace was supported by strong execution and an expanding order book. Management reported investments in sector-specific capabilities and focus areas such as aero-structures, propulsion systems, and digital manufacturing solutions. They mentioned that the

Pressure and delayed decision making in Automotive segment. Strong growth momentum in Aerospace and Industrial heavy machinery segments.

Faster than expected ramp up in BMW JV. Contributed 4.6% to pre-tax profits

Cautiously optimistic about the demand environment, expect recovery from Q2 onwards.

EBITDA margins improved 40 bps, expansion due to better offshoring, pyramid and favourable forex.

Decline in Technology solutions due to lower discretionary spend in the products business and delays in infrastructure readiness impacting Education business.

Industrial Heavy Machinery vertical also benefited from resilient client demand and a healthy pipeline, with expectations of sustained growth into FY26.

- **Other income:** The company reported other income of INR 570mn in Q4, marking a significant increase compared to the previous quarter. They reported that this rise was primarily driven by higher interest income from increased cash balances and better yields (INR 75mn), fair value gains from investments (INR 88mn), foreign exchange gains (INR 81mn), and an R&D expense credit (INR 23mn). Deferred income of INR 83mn related to the BMW JV option valuation was also included as part of other income.
- **Bookings:** The Company closed three large deals during Q4, including one engagement exceeding USD 50mn, reflecting continued traction across key industry verticals. Management indicated that the overall deal pipeline remains strong and conversion rates are expected to improve as macroeconomic clarity emerges over the next few months.
- **Supply:** Management highlighted continued focus on optimizing delivery capacity by maintaining a balance between full-time and outsourced resources. Employee utilization stood at 87.5% for Q4, a marginal decline from 88% in Q3. Headcount remained stable at approximately 12,644 employees as the company prioritized selective hiring. Management reported a small uptick in LTM attrition, from 12.9% in Q3 to 13.2% in Q4.

Three large deals closed in the quarter, including one exceeding USD 50 mn. Pipeline is strong, conversion to improve once macroeconomic condition improves.

4QFY25 result review

Exhibit 1. 4QFY25 Result Summary

| | 4Q25 A | 3Q25 A | Change (QoQ) | Estimate (JMFe) | Variance (vs. JMFe) | Estimate Consensus | QoQ estimate | |
|------------------|--------|--------|--------------|-----------------|---------------------|--------------------|--------------|-----------|
| | | | | | | | JMFe | Consensus |
| USD-INR | 86.69 | 84.61 | 2.5% | 86.33 | 0.4% | 85.43 | 2.0% | 1.0% |
| Revenue (USD mn) | 148.3 | 155.7 | -4.8% | 150.1 | -1.2% | 158.7 | -3.6% | 1.9% |
| QoQ cc | -3.3% | 1.7% | -500bp | -2.4% | | | | |
| Revenue (INR mn) | 12,857 | 13,174 | -2.4% | 12,956 | -0.8% | 13,558 | -1.7% | 2.9% |
| EBITDA (INR mn) | 2,334 | 2,340 | -0.3% | 2,264 | 3.1% | 2,479 | -3.3% | 6.0% |
| EBITDA margin | 18.2% | 17.8% | 39bp | 17.5% | 68bp | 18.3% | -29bp | 52bp |
| EBIT (INR mn) | 2,023 | 2,036 | -0.6% | 1,967 | 2.8% | 2,183 | -3.4% | 7.3% |
| EBIT margin | 15.7% | 15.5% | 28bp | 15.2% | 55bp | 16.1% | -27bp | 65bp |
| PAT (INR mn) | 1,889 | 1,681 | 12.3% | 1,702 | 11.0% | 1,846 | 1.2% | 9.8% |
| EPS (INR) | 4.65 | 4.14 | 12.2% | 4.19 | 10.9% | 4.55 | 1.2% | 9.8% |

Source: Company, JM Financial

Exhibit 1. Key financial summary

| | 3QFY24 | 4QFY24 | FY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue (USD mn) | 154.8 | 156.6 | 617.9 | 152.1 | 154.6 | 155.7 | 148.3 |
| QoQ cc growth | 1.9% | 0.3% | 12.6% | -2.9% | 0.8% | 1.7% | -3.3% |
| Services | 120.2 | 120.2 | 483 | 118.1 | 119.9 | 119.9 | 118.1 |
| QoQ cc growth | 1.5% | -1.0% | 9.2% | -1.7% | 0.3% | 1.1% | 1.1% |
| Technology Solution | 34.6 | 36.4 | 136.4 | 34.0 | 34.7 | 35.8 | 30.2 |
| Revenue (INRmn) | 12,895 | 13,011 | 51,173 | 12,690 | 12,965 | 13,174 | 12,857 |
| Gross Margins | 28.4% | 28.3% | 28.2% | 28.2% | 26.4% | 28.7% | 31.0% |
| Total operating expenses | 1,297 | 1,280 | 5,005 | 1,270 | 1,073 | 1,436 | 1,653 |
| EBITDA | 2,366 | 2,400 | 9,413 | 2,311 | 2,355 | 2,340 | 2,334 |
| EBITDA Margin | 18.3% | 18.4% | 18.4% | 18.2% | 18.2% | 17.8% | 18.2% |
| Depreciation & amortization | 272 | 290 | 1,058 | 297 | 299 | 305 | 312 |
| EBIT | 2,094 | 2,110 | 8,355 | 2,014 | 2,056 | 2,036 | 2,023 |
| EBIT Margin | 16.2% | 16.2% | 16.3% | 15.9% | 15.9% | 15.5% | 15.7% |
| Other income | 256.1 | 197.8 | 965.9 | 182.7 | 118.4 | 221.2 | 522.7 |
| Profit Before Tax | 2,350 | 2,308 | 9,321 | 2,197 | 2,174 | 2,257 | 2,545 |
| Income tax expense | 648 | 736 | 2,527 | 576 | 601 | 576 | 692 |
| Net income from operations | 1,703 | 1,573 | 6,794 | 1,621 | 1,574 | 1,681 | 1,853 |
| Net margin | 13.2% | 12.1% | 13.3% | 12.8% | 12.1% | 12.8% | 14.4% |
| EPS | 4.20 | 3.88 | 16.74 | 3.99 | 3.88 | 4.14 | 4.65 |

Source: Company, JM Financial

Services growth was flat while Technology solutions segment fell 14%.

EBITDA margin improved 40 bps, led by higher offshoring, pyramid correction and favourable forex.

Exhibit 2. Key Operating Metrics

| | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 |
|-------------------------------|--------|--------|--------|--------|--------|
| % Auto Share | | | | | |
| % of services segment revenue | | | | | |
| Auto | 86% | 85% | 85% | 84% | 83% |
| Non-Auto | 14% | 15% | 15% | 16% | 17% |
| Revenue mix | | | | | |
| Offshore | 62.3% | 61.0% | 56.3% | 58.3% | 57.0% |
| Onshore | 37.7% | 39.0% | 41.7% | 41.7% | 43.0% |
| Services: Customer Pyramid | | | | | |
| >50mn | 3 | 2 | 2 | 2 | 2 |
| 10-50 mn | 5 | 6 | 6 | 5 | 3 |
| 5-10 mn | 3 | 3 | 4 | 7 | 10 |
| 1-5 mn | 30 | 29 | 30 | 29 | 29 |
| Employee Metrics | | | | | |
| Headcount | 12,688 | 12,505 | 12,680 | 12,659 | 12,644 |
| LTM Attrition | 14.5% | 13.7% | 13.1% | 12.9% | 13.2% |

Source: Company, JM Financial

Retain BUY, Revised TP of 850.

TataTech missed growth expectations in the quarter, Tech solutions declined sharply leading to the miss. We lower our growth expectations due to uncertain macro, challenging demand environment and caution among Auto clients. Our YoY cc growth expectations have been lowered by 174-112 bps over FY26-27E. As a result, our revenue expectations for FY26-FY27E have been lowered by 2.0%-2.9%. In the quarter, margins beat expectations. EBITDA margins expanded 40 bps. Higher offshoring, favourable forex and pyramid correction led to the improvement. We raise our EBIT Margin expectations for FY26 by 38 bps on the back of an improved exit rate. Our PAT estimate for FY26 has been revised higher by 1.6%. Higher margin estimates and higher contribution from BMW JV lead to increase in PAT estimates despite slower growth. FY27 PAT estimates have been revised lower by 3%. We continue to value TataTech at 40x 12 M fwd EPS. Maintain BUY with a revised TP of INR 850.

Exhibit 3. What has changed

| | FY25E | Old FY26E | FY27E | FY25E | New FY26E | FY27E | FY25E | Change FY26E | FY27E |
|-------------------------------|--------|--------------|-------|--------|--------------|--------|--------|-----------------|-------|
| Consolidated | | | | | | | | | |
| Exchange rate (INR/USD) | 86.33 | 86.33 | - | 85.59 | 85.59 | 85.59 | -0.9% | -0.9% | - |
| Consolidated revenue (USD mn) | 640 | 714 | - | 627 | 693 | 770 | -2.0% | -2.9% | - |
| Growth in USD revenues (YoY) | 4.4% | 11.6% | - | 2.7% | 10.4% | 11.2% | -174bp | -112bp | - |
| Consolidated revenue (INR mn) | 55,222 | 61,601 | - | 53,680 | 59,282 | 65,911 | -2.8% | -3.8% | - |
| EBITDA margin | 17.6% | 18.2% | - | 18.1% | 18.5% | 18.6% | 48bp | 25bp | - |
| EBIT margin | 15.3% | 16.1% | - | 15.7% | 16.1% | 16.4% | 38bp | -1bp | - |
| Adjusted PAT (INR mn) | 7,469 | 8,793 | - | 7,591 | 8,547 | 9,624 | 1.6% | -2.8% | - |
| Adjusted EPS (INR) | 18.4 | 21.7 | - | 18.7 | 21.1 | 23.7 | 1.6% | -2.8% | - |

Source: JM Financial estimates

Exhibit 4. JMFe vs. Consensus estimates

| | Consensus | | | JMFe | | | Difference | | |
|-------------------|-----------|--------|-------|--------|--------|--------|------------|-------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Sales (USD mn) | 686 | 776 | - | 627 | 693 | 770 | -9% | -11% | - |
| Sales (INR mn) | 58,627 | 66,358 | - | 53,680 | 59,282 | 65,911 | -8% | -11% | - |
| EBITDA (INR mn) | 10,888 | 12,517 | - | 9,696 | 10,952 | 12,277 | -11% | -13% | - |
| EBITDA margin (%) | 18.6% | 18.9% | - | 18.1% | 18.5% | 18.6% | -51bp | -39bp | - |
| EBIT (INR mn) | 9,654 | 11,153 | - | 8,404 | 9,520 | 10,779 | -13% | -15% | - |
| EBIT margin (%) | 16.5% | 16.8% | - | 15.7% | 16.1% | 16.4% | -81bp | -75bp | - |
| EPS (INR) | 20.0 | 23.2 | - | 18.7 | 21.1 | 23.7 | -6% | -9% | - |

Note: Consensus estimates as of 24th Apr and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

Valuation Table

Exhibit 5. ER&D Services – Global valuation comp

| Global Valuation Comp | | | | | | | | | | | | |
|-----------------------|-------------|-----------------|--------|-------------|-------|------|-----------|-------|-------|----------|-------|-------|
| Company | CMP (LC) | Mcap (USD m) | FY25 | P/E FY26 | FY27 | PEG | EV/EBITDA | | | EV/Sales | | |
| | | | | | | | FY25 | FY26 | FY27 | FY25 | FY26 | FY27 |
| India | | | | | | | | | | | | |
| Tata Tech | 692 | 3,263 | 42.7x | 36.3x | 29.9x | 1.9x | 26.8x | 22.4x | 18.8x | 5.7x | 4.8x | 4.1x |
| KPIT | 1218.1 | 3,883 | 41.x | 35.x | 30.5x | 2.2x | 28.2x | 25.1x | 22.x | 5.2x | 4.6x | 4.1x |
| Tata Elxsi | 5600 | 4,055 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| L&T TS | 4215 | 5,190 | 34.x | 29.1x | 25.1x | 1.7x | 21.x | 17.6x | 15.5x | 3.8x | 3.2x | 2.9x |
| Cyient | 1176 | 1,519 | 21.x | 16.3x | 13.8x | .7x | 10.8x | 9.1x | 7.9x | 1.7x | 1.5x | 1.3x |
| Average | | | 34.7x | 29.2x | 24.8x | 1.6x | 21.7x | 18.5x | 16.x | 4.1x | 3.5x | 3.1x |
| Global | | | | | | | | | | | | |
| Alten | 69.85 | 2,454 | 9.4x | 8.3x | 7.9x | .9x | 5.4x | 5.x | 4.7x | .5x | .5x | .5x |
| Bertrandt | 24.35 | 249 | 25.9x | 5.6x | 5.3x | .x | 6.5x | 4.x | 3.8x | .4x | .4x | .3x |
| EDAG | 6.44 | 156 | 13.7x | 6.6x | 5.3x | .1x | 5.2x | 4.x | 3.8x | .5x | .5x | .4x |
| Desay SV | 105.45 | 58,288 | 21.6x | 16.9x | 13.7x | .6x | 17.x | 13.7x | 11.4x | 1.8x | 1.5x | 1.3x |
| AFRY | 160 | 18,131 | 11.8x | 9.8x | 8.9x | .6x | 7.8x | 6.9x | 6.4x | .8x | .8x | .7x |
| Etteplan | 11.45 | 300 | 15.3x | 12.5x | 10.8x | .6x | 8.3x | 7.4x | 6.8x | .9x | .9x | .9x |
| Assytem | 35.9 | 569 | 15.2x | 13.6x | 12.4x | 1.2x | 7.9x | 7.6x | 7.x | .8x | .7x | .7x |
| Thundersoft | 52.97 | 24,160 | 69.4x | 45.5x | 32.8x | 1.x | 36.x | 26.x | 20.7x | 3.7x | 3.2x | 2.6x |
| Arcsoft | 42.64 | 17,066 | 105.8x | 71.6x | 49.x | 1.5x | 83.x | 49.8x | 33.8x | 18.2x | 13.6x | 10.2x |
| Average | | | 32.x | 21.2x | 16.2x | .7x | 19.7x | 13.8x | 10.9x | 3.1x | 2.5x | 2.x |

Source: Bloomberg estimates as on 11th Apr 2025, JM Financial

Financial Tables (Consolidated)

| Income Statement | | | | | (INR mn) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 51,173 | 51,685 | 53,680 | 59,282 | 65,911 |
| Sales Growth | 15.9% | 1.0% | 3.9% | 10.4% | 11.2% |
| Other Operating Income | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 51,173 | 51,685 | 53,680 | 59,282 | 65,911 |
| Cost of Goods Sold/Op. Exp | 36,755 | 36,565 | 37,207 | 40,965 | 45,527 |
| Personnel Cost | 0 | 0 | 0 | 0 | 0 |
| Other Expenses | 5,005 | 5,780 | 6,777 | 7,365 | 8,107 |
| EBITDA | 9,413 | 9,340 | 9,696 | 10,952 | 12,277 |
| EBITDA Margin | 18.4% | 18.1% | 18.1% | 18.5% | 18.6% |
| EBITDA Growth | 14.7% | -0.8% | 3.8% | 12.9% | 12.1% |
| Depn. & Amort. | 1,058 | 1,212 | 1,292 | 1,432 | 1,498 |
| EBIT | 8,355 | 8,128 | 8,404 | 9,520 | 10,779 |
| Other Income | 966 | 1,045 | 1,347 | 1,328 | 1,321 |
| Finance Cost | 0 | 0 | 0 | 0 | 0 |
| PBT before Excep. & Forex | 9,321 | 9,173 | 9,751 | 10,848 | 12,100 |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 9,321 | 9,173 | 9,751 | 10,848 | 12,100 |
| Taxes | 2,527 | 2,445 | 2,438 | 2,712 | 3,025 |
| Extraordinary Inc./Loss(-) | 0 | 0 | 278 | 412 | 549 |
| Assoc. Profit/Min. Int.(-) | 0 | 0 | 0 | 0 | 0 |
| Reported Net Profit | 6,794 | 6,728 | 7,591 | 8,547 | 9,624 |
| Adjusted Net Profit | 6,794 | 6,728 | 7,313 | 8,136 | 9,075 |
| Net Margin | 13.3% | 13.0% | 13.6% | 13.7% | 13.8% |
| Diluted Share Cap. (mn) | 405.7 | 405.7 | 405.7 | 405.7 | 405.7 |
| Diluted EPS (INR) | 16.7 | 16.6 | 18.7 | 21.1 | 23.7 |
| Diluted EPS Growth | 8.9% | -1.0% | 12.8% | 12.6% | 12.6% |
| Total Dividend + Tax | 4,908 | 5,714 | 6,202 | 6,690 | 7,179 |
| Dividend Per Share (INR) | 10.1 | 11.7 | 12.7 | 13.7 | 14.7 |

Source: Company, JM Financial

| Cash Flow Statement | | | | | (INR mn) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Profit before Tax | 6,794 | 6,770 | 9,751 | 10,848 | 12,100 |
| Depn. & Amort. | 1,059 | 1,212 | 1,292 | 1,432 | 1,498 |
| Net Interest Exp. / Inc. (-) | 189 | 196 | 149 | 134 | 130 |
| Inc (-) / Dec in WCap. | -4,071 | 382 | -1,703 | -1,015 | 2,636 |
| Others | 1,999 | 1,805 | 0 | 0 | 0 |
| Taxes Paid | -3,026 | -3,140 | -2,438 | -2,712 | -3,025 |
| Operating Cash Flow | 2,943 | 7,224 | 7,052 | 8,686 | 13,339 |
| Capex | -918 | -315 | -1,918 | -2,851 | 3,169 |
| Free Cash Flow | 2,025 | 6,909 | 5,134 | 5,835 | 16,508 |
| Inc (-) / Dec in Investments | 4,808 | -946 | 0 | 0 | 0 |
| Others | 47 | 375 | 0 | 0 | 0 |
| Investing Cash Flow | 3,936 | -885 | -1,918 | -2,851 | 3,169 |
| Inc / Dec (-) in Capital | 0 | 0 | 0 | 0 | 0 |
| Dividend + Tax thereon | -4,990 | -4,165 | -5,153 | -5,559 | -5,965 |
| Inc / Dec (-) in Loans | -578 | -694 | 0 | 0 | 0 |
| Others | -1 | -5 | -149 | -134 | -130 |
| Financing Cash Flow | -5,568 | -4,864 | -5,302 | -5,693 | -6,095 |
| Inc / Dec (-) in Cash | 1,312 | 1,475 | -168 | 142 | 10,413 |
| Opening Cash Balance | 10,290 | 9,134 | 9,026 | 9,135 | 9,690 |
| Closing Cash Balance | 11,601 | 10,609 | 8,858 | 9,278 | 20,103 |

Source: Company, JM Financial

| Balance Sheet | | | | | (INR mn) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shareholders' Fund | 32,208 | 35,794 | 38,232 | 41,221 | 44,880 |
| Share Capital | 811 | 811 | 811 | 811 | 811 |
| Reserves & Surplus | 31,397 | 34,983 | 37,421 | 40,410 | 44,069 |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 8 | 5 | 5 | 5 | 5 |
| Def. Tax Liab. / Assets (-) | 0 | 0 | 0 | 0 | 0 |
| Total - Equity & Liab. | 32,216 | 35,799 | 38,237 | 41,226 | 44,885 |
| Net Fixed Assets | 11,505 | 11,303 | 11,596 | 12,082 | 11,690 |
| Gross Fixed Assets | 3,103 | 2,609 | 2,902 | 3,388 | 2,996 |
| Intangible Assets | 8,403 | 8,694 | 8,694 | 8,694 | 8,694 |
| Less: Depn. & Amort. | 0 | 0 | 0 | 0 | 0 |
| Capital WIP | 0 | 0 | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Current Assets | 44,278 | 55,340 | 58,559 | 63,946 | 64,546 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Sundry Debtors | 11,479 | 10,056 | 11,765 | 12,668 | 13,905 |
| Cash & Bank Balances | 9,134 | 9,026 | 9,135 | 9,690 | 20,652 |
| Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 23,665 | 36,259 | 37,658 | 41,588 | 29,990 |
| Current Liab. & Prov. | 23,567 | 30,843 | 31,917 | 34,802 | 31,351 |
| Current Liabilities | 23,567 | 30,843 | 31,917 | 34,802 | 31,351 |
| Provisions & Others | 0 | 0 | 0 | 0 | 0 |
| Net Current Assets | 20,711 | 24,497 | 26,642 | 29,144 | 33,195 |
| Total - Assets | 32,216 | 35,799 | 38,237 | 41,226 | 44,885 |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Margin | 13.3% | 13.0% | 13.6% | 13.7% | 13.8% |
| Asset Turnover (x) | 1.5 | 1.4 | 1.3 | 1.4 | 1.4 |
| Leverage Factor (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| RoE | 21.9% | 19.8% | 19.8% | 20.5% | 21.1% |

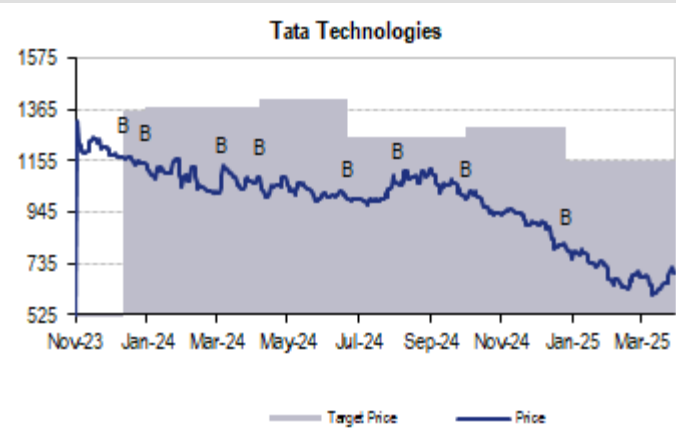
| Key Ratios | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 79.4 | 88.2 | 94.2 | 101.6 | 110.6 |
| ROIC | 28.5% | 23.9% | 22.6% | 23.5% | 29.0% |
| ROE | 21.9% | 19.8% | 19.8% | 20.5% | 21.1% |
| Net Debt/Equity (x) | -0.3 | -0.3 | -0.2 | -0.2 | -0.5 |
| P/E (x) | 41.4 | 41.8 | 37.0 | 32.9 | 29.2 |
| P/B (x) | 8.7 | 7.9 | 7.4 | 6.8 | 6.3 |
| EV/EBITDA (x) | 28.9 | 29.2 | 28.1 | 24.8 | 21.2 |
| EV/Sales (x) | 5.3 | 5.3 | 5.1 | 4.6 | 4.0 |
| Debtor days | 82 | 71 | 80 | 78 | 77 |
| Inventory days | 0 | 0 | 0 | 0 | 0 |
| Creditor days | 186 | 231 | 232 | 233 | 186 |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 8-Jan-24 | Buy | 1,360 | |
| 27-Jan-24 | Buy | 1,370 | 0.7 |
| 2-Apr-24 | Buy | 1,370 | 0.0 |
| 4-May-24 | Buy | 1,410 | 2.9 |
| 19-Jul-24 | Buy | 1,250 | -11.3 |
| 1-Sep-24 | Buy | 1,250 | 0.0 |
| 29-Oct-24 | Buy | 1,290 | 3.2 |
| 22-Jan-25 | Buy | 1,150 | -10.9 |

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

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| Definition of ratings | |
|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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